

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

Executive Registry
68-4027

September 11, 1968

CONFIDENTIAL

MEMORANDUM FOR ALL HOLDERS OF NSC 5711

SUBJECT: Communications Security Activities of the U.S. Government

The Special Committee of the National Security Council for Communications Security, consisting of the Secretary of State and the Secretary of Defense, has approved and circulated an up-dated directive governing the organization, management and coordination of U.S. Government activities concerned with the security of federal telecommunications and the control of compromising emanations. This action was taken in response to a unanimous recommendation of the United States Communications Security Board.

The new directive, dated August 26, 1968, supersedes NSC 5711, issued April 25, 1957, entitled, "Communications Security (COMSEC)."

NSC 5711 is now rescinded. Holders of this document should dispose of it in accordance with procedures prescribed for the destruction of classified material.

CIA HISTORICAL REVIEW PROGRAM
RELEASE IN FULL 1995

Bromley Smith
Bromley Smith
Executive Secretary

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NSC

Executive Registry
68-3918

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

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September 3, 1968

MEMORANDUM FOR THE NATIONAL SECURITY COUNCIL

The attached paper prepared by the State Department will serve as the basis of a discussion of issues arising out of the Czechoslovak crisis which affect Europe and the United States. The National Security Council meeting is now scheduled for 5:00 P. M., September 4.

Bromley Smith

Bromley Smith

Attachment

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The United States, Europe, and the Czechoslovakia Crisis

I. Introduction

The Czechoslovak crisis has raised grave issues for the United States and its Western European allies. It has cast into question such matters as the future of detente, the defensive capability of Western Europe, and the future of Communism and the independent states of Eastern Europe.

The purpose of this paper is to examine the issues and the current and prospective means for meeting these problems by the United States and its allies.

II. Detente

The August 20-21 occupation of Czechoslovakia by the Warsaw Pact provided a cold douche for the future of detente, or the progressive rapprochement of East and West. In the late Sixties, the achievement of detente had become an important objective in the policies of most Western European nations as well as the United States. It had become a key element in the work program of the North Atlantic Treaty Organization. But its assumed basis was seriously undermined by the Czechoslovak crisis.

Most Western nations have reacted with strong expressions of disgust at, and disapproval of, the Warsaw Pact occupation of independent Czechoslovakia. There was almost universal support for the United Nations consideration of this problem and approbation for the resolution supported by the majority in the Security Council.

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To give further meaning to their disapproval, most Western nations undertook to limit contacts with the Soviets and the occupying powers of the Warsaw Pact, and cancelled plans or proposed visits in the political and cultural fields. As the repression of Czechoslovakia continues, with the possibility of the installation of a de facto occupation regime, the deterioration of East-West contacts may well continue.

These relatively limited actions do not necessarily preclude the possibility of return in due course to the pursuit of detente. The present disposition of many European nations is to avoid actions which might impair the eventual resumption of closer relations with the Soviet Union and the countries of Eastern Europe. The positions of the United Kingdom and the Government of France on this score are particularly apparent.

US actions have so far generally paralleled those of its Western European allies. For the time being we are seeking a balanced approach that will satisfy the immediate objective of expressing censure of Soviet action without destroying overnight our longer-range goals.

In the cultural field we propose the following criteria:

a. Cancel or postpone highly visible exchanges susceptible to being interpreted as evidence of goodwill or friendship toward the invading powers. (For example, the trip of the Minnesota Band to Russia.)

b. We do not propose disrupting low-visibility exchanges already in progress. (For example, graduate students, individual scientists and researchers already on study tours.) But we should discourage new initiatives.

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c. We should avoid across-the-board restrictive measures, such as indiscriminate restrictions on travel that could be construed as a return to the cold war.

d. We should maintain exchange activities with Czechoslovakia to the extent possible, and with the still-independent state of Romania. In Czechoslovakia, for instance, we should participate in the Trade Fair at Brno if the Czechoslovak Government decides to hold it.

In the political and economic fields similar criteria should prevail. We are considering cancelling or discouraging activities such as the second inaugural flight of AEROFLOT.

We might continue certain scientific and technical activities which are of special interest to us, such as oceanographic research and the renegotiation of the US-USSR Atlantic Fisheries Agreement.

In the area of peace and security, important decisions will need to be taken. For example, should we agree to open missile talks at any definite early date. Similar decisions involve US participation in the solar eclipse experimentation in the USSR, US-USSR discussions on peaceful nuclear devices, etc.

In the economic area we should discourage the development of new commercial activities with the aggressor states, and we are considering a curtailment of export licenses.

III. The Defense of Western Europe

The movement of Warsaw Pact forces into Czechoslovakia and the continuing occupation of that country has obviously affected the military situation in Europe. The status quo has been changed. There are larger military forces present in Central Europe than at any time since the post-war period. The military occupation

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of Czechoslovakia puts Soviet forces in a country where they have not been since World War II. There is no assurance as yet that the Warsaw Pact forces will soon return to their deployment where they existed six weeks ago.

The changed East-West military situation in Europe is of significance to the security of the United States and its allies. In the light of these developments we are reviewing with our allies what the implications may be for existing arrangements to provide for our common security.

The principal forum for this review will be NATO. Since the onset of the Czech crisis, the NATO posture has combined three essential elements: (a) vigilance by the NATO political and military authorities; (b) a low public profile while the spotlight was on the United Nations; and (c) intensified consultations among the Allies regarding implications of the situation for Western security interests.

As a result of NATO consultations a number of issues require consideration. These are outlined below.

A. Proposals for high-level NATO meetings

Following a period of speculation and trial balloons--including Kiesinger's public mention of a Heads of Government meeting--the British on August 30 took the initiative. They have sought our views on two alternative proposals. Both take account of the fact that Defense Ministers of seven NATO countries are already scheduled to meet in Bonn, October 10-11, as the Nuclear Planning Group (NPG).

The first alternative envisages postponing the NPG until the end of October or early November, advancing the date of the usual year-end NATO meeting

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to the end of October or early November, and holding both sessions in Brussels. The result would be a stock-taking meeting of Foreign and Defense Ministers to consider defense and political matters arising from the crisis. Like the normal December meeting, fourteen countries would meet to examine defense issues while the French would join them later to examine political problems. In the course of the three (or four) day session, the seven-nation NPG would meet for a day.

The second alternative involves simply broadening the presently scheduled (October) NPG meeting to include all defense ministers (except presumably the French). The British favor the first alternative on political, psychological and practical grounds. It would permit a maximum amount of business to be transacted and avoid a "nuclear affairs" meeting as NATO's first major response to the Czech crisis.

A key question, in either case, is whether the necessary groundwork can be laid in time to permit ministers to take substantive decisions. A meeting without concrete results could be disappointing for NATO as an organization and for public opinion.

Another possible course would be to hold a special meeting of Foreign and Defense Ministers towards the end of September to issue a new program of work for NATO. The usual year-end meeting would be held in December. A September meeting would have the advantage of an early public response by NATO to the crisis.

B. General Alliance policy on East-West Relations

In connection with any special meeting, Ministers would have to decide whether the Czech crisis--and Soviet and Warsaw Pact policies demonstrated by recent events--call for any changes in Alliance policy objectives as stated in the Harmel Report (on future tasks

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of the Alliance), the Reykjavik declaration on mutual force reductions, or other public pronouncements (such as on strategic concept) issued by NATO over the past two years.

Our aim, and presumably that of all Member Governments (with France a possible exception) would be to seek a strong public reaffirmation of the Alliance--its defense and deterrent role--while maintaining the long-range commitment to improved East-West relations.

C. Strengthening NATO by extending the North Atlantic Treaty

Italy has suggested--although not yet by formal proposal--that Member Governments consider strengthening the Treaty by formal action to ascertain extended life for NATO. Such action would make clear the Allies intent to refrain from exercising the right of withdrawal for an additional period of years (say, ten) beyond 1969. (Article 13 provides that, after the Treaty has been in force for twenty years, a signatory state can withdraw on one year's notice.)

The Allied Governments could act on this problem either by amending the Treaty or issuing individual declarations of intent to refrain from exercising the withdrawal right for, say, ten more years.

Greater assurance about the Alliance's future would have favorable impact on (a) overall US-European relations and (b) specific issues, including the Non-Proliferation Treaty.

This subject may arise in preliminary fashion, at least in the corridors, at any special NATO meeting held in the near future. Our current position is that the Alliance will continue and need not be subject to formal action. The Czechoslovak crisis raises issue of need for a more formal commitment.

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D. NATO force levels and planning

NATO is presently considering an urgent Military Committee proposal that member governments defer any further force reductions or redeployments pending NATO review of the overall situation. This proposal gives the United States difficulty because of the current examination of further economies in our defense establishment in Europe.

Beyond this immediate question, NATO must now reexamine its entire force posture and dispositions in Europe in light of such factors as what the invasion of Czechoslovakia showed about Soviet and Warsaw Pact operations and capabilities, and the fact that Soviet forces will probably be stationed on Czechoslovakia's western frontier for an indefinite period.

Apart from other US objectives that may emerge as a result of study, we will want to seek increased European contributions to their own defense. This could include improvement of reserves, equipment, and mobilization capabilities as well as any changes in standing forces.

E. NATO strategy, crisis and alert procedures

NATO's present strategic concept based on "flexible response" and "forward defense" is unlikely to be altered fundamentally as a result of the Czech crisis. But certain aspects, notably the doctrine of political warning time, will have to be reexamined. The doctrine envisages that, prior to any overt Warsaw Pact action against NATO, there would be a period of heightened tension and warning permitting the Allies to take necessary reinforcement measures.

Closely related to the foregoing, some at least of the Allies will want reexamination of the reinforcement times, strategic mobility for redeploying US forces

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to Europe, NATO alert and crisis procedures, and the efficiency of the early warning radar system covering the Central Front.

F. The Mediterranean

While the Czech crisis has focussed attention on the NATO Central Front, concern about Soviet pressures against Romania and Yugoslavia raises anew the problem of Mediterranean security. At the June meeting in Reykjavik NATO ministers gave various directives aimed at improving command arrangements, stand-by naval force dispositions, and surveillance activities. These were directed primarily at the increased Soviet naval presence in the Mediterranean. Recent events may require review and/or speeding up of NATO work on security in the Mediterranean and on NATO's south-eastern flank.

G. The French attitude

On all of the foregoing subjects, the French are in a special position for two reasons. First, they do not participate in most aspects of the integrated military system. Second, since the invasion of Czechoslovakia, de Gaulle has reaffirmed his policy of opposition to "blocs". As a corollary, the French have been negative on the idea of special high-level western meetings--NATO, WEU, or European Community.

In all probability, the French would, however, be represented at any Ministerial session of the North Atlantic Council. They would expect the Fourteen to meet without them for part of the session to deal with NATO military questions. The best hope for improving French cooperation in Eastern defense would probably be through practical steps--improved liaison with the NATO military or improvement of French forces in Germany. The Germans are probably in the best position to sound out the French on these questions.

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H. The key role of Germany

The Federal Republic of Germany--on the Central Front with the largest land army of the continental allies--has been particularly hard hit by the Czechoslovak crisis. The actions of the Warsaw Pact aggressor states have thrown into question the German policy of seeking better relations with the countries of Eastern Europe. Moreover, the rapidity with which the Soviet Union, with little apparent warning, undertook this action, has shaken German confidence in the warning time principle of the NATO strategic concept.

The Soviet actions have also caused a reexamination of the German attitude towards signature of the Non-Proliferation Treaty (NPT). While no public decision has been made on this subject the issue is obviously one now being subjected to re-appraisal. The Germans feel that to sign the NPT--with its duration--might well jeopardize their future security.

The German press is heavy with charges of "super power complicity" in the Czechoslovak crisis and expressions of uneasy doubts of the ability of the US and other of Germany's allies to stand up to the Warsaw Pact. In addition, there is the problem of Berlin. The actions of the Warsaw Pact aggressor states, following upon the June actions of East Germany against Berlin, raise doubts in German minds about the future of that city which they regard as an important part of Free Germany.

The result is a general malaise through Germany. Kiesinger reacted to this feeling in his recent interview when he urged a NATO summit meeting as a means of putting new life in NATO.

Germany is key to the security of Europe and to the effective functioning of the NATO alliance. While

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the current malaise may be founded on emotionalism rather than fact, it remains true that Germany is uneasy and disturbed. Such an attitude can have a multiplier effect throughout Europe unless steps are taken now to reaffirm the solidity and efficacy of Western defense within NATO.

In short, high-level review and reappraisal by NATO nations could well be an important ingredient in calming the German attitude. It could also be an important factor in the continuance of constructive US/German relations.

IV. Communism and the Future of Independent States of Eastern Europe

A. The Communist World The USSR has become increasingly isolated within the international Communist movement and has undercut its position of leadership because of its rigidity and inability to adjust to changing times. As things stand, the "Communist family" has now been reduced to "The Five": The USSR, Poland, Hungary, East Germany, and Bulgaria. Clearly this is too thin a margin of support even for Soviet foreign policy purposes. Moreover, the loyalty and stability of some of even these regimes is not beyond question. We may find that the domestic positions of Gomulka, and perhaps also of Kadar, have been weakened much more than now appears by their willingness to serve as the tools of Soviet intervention.

B. Czechoslovakia The Soviet leaders may hope that a kind of balance can still somehow be struck in Czechoslovakia (as it has in different ways in Hungary and Poland, for example). This is far from certain. If the Czech leaders prove unable to keep order or if, keeping order, they end up with a sullen, despondent population that would leave the country as stagnant as it was before, Czechoslovakia may end up as little more than a Soviet military protectorate.

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Over the short-term at least, this would retard the whole process of normalization in Eastern Europe and perhaps even lead to more Soviet strong-arm actions against others who have not played the game by the Soviet script, e.g., Romania and, less likely, Yugoslavia. Any such eruption of Soviet imperial fury could have the most profound effect in the USSR itself, leading to greater domestic repression but possibly also an upheaval shaking the regime to its foundations. It could also engage Western interests directly.

One possibility of a calmer evolution lies in the eventual emergence of a new type of Soviet leader who recognizes that Soviet interests are best served by having neighboring countries pursue their own aspirations and interests, including a healthy friendship with the USSR.

C. Romania We are carefully following all reports bearing upon a possible military action against Romania by the Soviet Union. Contingency papers have been prepared in the eventuality of an attack.

The President's strong statement on August 30 against further aggression and Secretary Rusk's warning to Dobrynin that night place the United States clearly on record and should leave no doubt in the Soviet mind as to our position. The response by Dobrynin on August 31 may indicate that the Soviets have taken full account of the U.S. position.

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Executive Registry

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

18-2900

June 19, 1968

NSC REVIEW
COMPLETED,
06/26/2003

Dear Mr. Helms:

I want to put on the record our appreciation of the support services the National Security Council staff receives from your personnel office.

STAT 25X1
NSC
Recently I learned that [] had been shifted to another office. Even though late, I want you to know that we are indebted to him for his cooperation and understanding of our exacting personnel requirements.

I am also appreciative of the superior service given us by the Personnel Director's staff assistants -- []

STAT 25X1
NSC
[] They understand thoroughly our special requirements and cooperate to the fullest with the NSC administrative office in selecting and assigning Agency personnel of the highest caliber to work in the NSC area.

STAT
25X1
NSC

Would you be good enough to convey my personal thanks to each for a consistently high standard of performance in support of the National Security Council.

Sincerely,

Bromley Smith

Bromley Smith
Executive Secretary

Honorable Richard Helms
Director
Central Intelligence Agency

Executive Registry

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

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June 17, 1968

NATIONAL SECURITY COUNCIL MEETING NO. 587

June 19, 1968 -- 12:00 noon

AGENDA

Current NATO Issues

Discussion of State Department paper circulated to Council members on June 17, 1968.

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NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

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June 17, 1968

MEMORANDUM FOR THE NATIONAL SECURITY COUNCIL

The attached paper prepared by the State Department will serve as the basis of a discussion of current NATO issues at the National Security Council meeting scheduled for noon, June 19.



Bromley Smith

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The Reykjavik Ministerial Meeting of NATO

A. Background

The North Atlantic Council, in Ministerial session of Foreign Ministers will meet in Reykjavik, Iceland, June 24-25. This will be the first time that Iceland, a small but strategically located country of 200,000 people, has been the host for a NATO meeting.

This session takes place less than one year before the 20th anniversary of the creation of NATO as a defense Alliance to deter aggression against Western Europe.

As the Soviet Union emerged from Stalinist influence, the nature of the threat changed. Today, the polycentric tendencies within the Communist world, the evolution of Soviet society, plus affluence in the West, obscure the fact that mounting Soviet capabilities still pose a danger to Western European security.

Europe, long ago recovered from the effects of World War II, now faces problems common to affluent societies. Stable, prosperous and slightly smug, Western Europe has suddenly broken out in a rash of political and social crises.

Among NATO members, France and Canada will have elections at the time of the NATO meeting. Italy and Belgium are trying to form governments. The US is in the process of preparing for Presidential elections. Greece is confronted with a junta looking for a nationally approved constitution. The faltering British pound has created heavy pressure on the international monetary system. Despite all this, most of Europe has ample foreign exchange reserves and remains confident and firm. The economic structure is essentially sound.

In this atmosphere, NATO's continued functioning on a broad front - military and political - constitutes a welcome element of stability, despite some strains within the Alliance.

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B. Principal Issues at Reykjavik

1. EAST-WEST RELATIONS

The Ministers will discuss the general question of East-West relations. Views will be exchanged on recent developments in Czechoslovakia, East Germany and Berlin. It is expected that the German Foreign Minister will report on the Federal Republic's relations with Eastern European countries in furtherance of its Ost-Politik. The improvement of relations between East and West, and such matters as European security, will also be discussed.

2. MEDITERRANEAN SECURITY

Security developments in the Mediterranean will be an important issue in the meeting. The Ministers will address particularly the impact on NATO, and the NATO area, of increasing Soviet penetration into the Mediterranean. Ways and means of countering this growing military power in the Mediterranean will also be examined and recommendations considered on increased surveillance by NATO countries of USSR fleet movements, and the adoption of a watching brief for Brosio.

3. MUTUAL FORCE REDUCTIONS

The Foreign Ministers will also take up mutual force reductions. In February President Johnson indicated to NATO Secretary Brosio that "maintenance of NATO's strength, including the US commitment, is necessary to continuing stability and security in the North Atlantic area. This stability and security provides the basis for exploring with the USSR the possibility of mutual force reductions." This question is under intensive study within NATO. The US has proposed for consideration at Reykjavik a resolution (declaration) on this issue which indicates NATO is studying the problem, expresses the hope that the USSR and other countries of Eastern Europe will also study it and be prepared at the proper time to explore such reductions together. The overall military capability of the Alliance should not be reduced except as a part of a pattern of mutual force reductions balanced in scope and timing.

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4. NPT

The negotiations of the Nuclear Non-Proliferation Treaty have been the subject of intensive consultations in NATO. The Germans and others wish to discuss some of the implications of this Treaty at Reykjavik. The non-nuclear NATO powers have been concerned that their signing the Treaty would impair their security, especially in the nuclear field, particularly should the NPT duration outlast NATO. We have tried to meet their legitimate concerns and persuade them to support the NPT, and are prepared to make a supporting statement at Reykjavik on our continued commitment to NATO as an instrument for peace and stability in Europe.

5. OTHER MATTERS

General tour d'horizon - the meeting will permit each Foreign Minister to give his views of the overall international situation. Secretary Rusk plans to meet in restricted session to discuss Vietnam and the European views on what they would like to see develop in Southeast Asia after peace is achieved.

C. Long Range Problems and Outlook for the Future

Above and beyond the issues on the official agenda at Reykjavik, certain general problems confront NATO:

1. FUTURE VIABILITY OF NATO

Foremost among these is the question of the future of the Alliance. French withdrawal from the integrated military aspects of NATO in 1966 caused many skeptics to doubt at that time whether the Alliance would have continued viability. The work of the organization since then has demonstrated that it can adjust to new conditions and continue as the keystone of Western collective security, even without French participation in its military aspects.

We anticipate that there will be continued support for NATO by the member governments. The governments participating in its military structure continue to recognize that collective security is the most effective way to ensure national security. The French attitude notwithstanding, we do not anticipate any members will take advantage of

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GERMANY

I. Germany in Perspective

The advent of the present Bonn Government in December 1966 marks a turning point in German-American relations. The Adenauer-Erhard years were years of German dependence upon the United States, with the FRG accepting U.S. tutelage in return for our security guarantees and our support for German efforts to rebuild a prosperous and respected nation. The fall of Erhard late in 1966, and the creation of the Kiesinger-Brandt government, signalled the evolution of German policy toward greater emphasis on the pursuit of reunification of their divided nation. The relative absence of crisis in Europe and the public belief that Soviet aggression had become somewhat less likely; the growth of a detente psychology; the passage of years since 1945 and the erosion of the post-war fears and sense of guilt; de Gaulle's rekindling of nationalism first in France and then elsewhere in Europe; all contributed to a greater German sense of independence from tutelage, and more active efforts to lay the groundwork for eventual reunification. In Germany, however, this has taken place without serious strain on FRG ties with NATO, and without rupturing cooperation and partnership with the U.S. NATO and the U.S. are still regarded in Germany as the basis of security on which German efforts to pursue reunification rest.

The Kiesinger-Brandt government's main single policy innovation has been the pursuit of a more flexible Eastern policy aimed at opening a dialogue with the Soviet Union, improving relations with the Eastern European states, and seeking to extend the FRG's ties with East Germany (short of recognition). The FRG regards improved relations with the East as a contribution to European peace and stability; but, at least equally important, it is a necessary prelude to progress toward reunification. The results of this policy up to now have been modest. This is not surprising. The

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Article XIII of the North Atlantic Treaty and give notice of withdrawal after its anniversary date (20 years) in 1969.

2. GREECE

Developments in Greece with the take-over of the government by a military junta have strained the bonds of the Alliance. Many NATO governments, notably in Scandinavia, the Low Countries and the UK have been sharply critical of the Greek regime. Pressures have been exerted in these countries to isolate Greece within the Alliance, if not to expel it, pending a return to constitutionality. While Greece remains a full, interested and essential participant in the Alliance, the Greek problem remains as a divisive factor.

3. BURDEN SHARING

We keep trying to persuade the Europeans to increase their own defense efforts in various ways, but this effort has met with little positive response to date. Nevertheless, we have negotiated successfully with some of our Allies on a bilateral basis in order to neutralize the balance of payments impact of our military expenditures. Arrangements for substantial neutralization have been concluded with the Germans and the Belgians. Similar arrangements are well on the way to completion with the Danes, the Dutch and the Italians.

D. Reykjavik and the Continued Importance of NATO to US

NATO remains essential to US security:

1. In view of the current pattern of Soviet activity and current developments affecting Western and Eastern political stability, it is even more essential that the US maintain a consistent policy of support for a strong NATO.

2. While maintaining this support, we must also be flexible enough to ensure that the Alliance is responsive to opportunities for easing tensions in Europe. NATO can become an increasingly effective instrument of detente.

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3. We shall continue to study within NATO the possibilities for exploring, with the Soviet Union and other countries of Eastern Europe, mutual force reductions. Concentration will be primarily on the Central Region of NATO in light of the heavy confrontation there of forces of NATO and the Warsaw Pact. Meanwhile, consistent with the President's discussion with Brosio last February, we should strive to maintain overall NATO military strength. Unilateral troop reductions could undermine current efforts toward a balanced mutual reduction of forces.

4. In the Mediterranean area, we see the Soviet threat as being primarily political, and we are recommending a set of modest, non-provocative political-military responses by NATO to this threat.

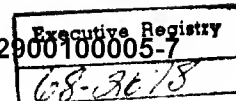
5. Through the mechanism of the Nuclear Planning Group, we are studying ways for increased national participation -- and thereby understanding -- in military nuclear planning and for developing a sounder basis for NATO military planning with respect to the use of tactical nuclear weapons.

6. We shall continue to try to work out arrangements to neutralize the effects of our military presence in Europe upon our balance of payments.

7. We are committed through CY 1968 on US force levels in NATO. These US forces in Europe contribute to both the nuclear and conventional defense of the North Atlantic area. The US forces in Europe are a part of NATO's conventional defenses as well as acting as custodians for the tactical nuclear weapons that we maintain there. They also provide an essential institutional link between NATO's conventional forces, largely supplied by the Europeans, and the strategic nuclear weapons which are almost wholly American. In addition, these units are an earnest of American leadership in the Alliance.

8. For the future we must examine means for getting greater European participation in the defense of Europe, such as a European Defense Organization, or capitalizing on the U.K. interest in the Continent as the result of its withdrawals East of Suez.

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NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

CONFIDENTIAL

June 3, 1968

NATIONAL SECURITY COUNCIL MEETING NO. 586

June 5, 1968 -- 12:00 noon

AGENDA

Current Issues Affecting US-UK Relations

Discussion of State Department paper circulated to Council members on June 3, 1968 including the effect on the UK of the current situation in France.

cc: DD/±

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NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

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June 3, 1968

MEMORANDUM FOR THE NATIONAL SECURITY COUNCIL

The attached paper prepared by the State Department will serve as a basis of a discussion of current issues affecting our relations with Great Britain at the National Security Council meeting scheduled for noon, June 5.

The effect of developments in France on the issues included in the paper will be discussed by the Secretary of State at the meeting.

A handwritten signature in cursive script, appearing to read "Bromley Smith".

Bromley Smith

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I. DIRECTIONS OF UK POLICY

Britain's severe economic problems have shaken the international monetary system and sealed a historic transformation of British foreign policy.

The financial pressures of last November forced the UK to devalue the pound (from \$2.80 to \$2.40). That decision marked the failure of Labour's previous policy of demi-austerity and necessitated severe budget cuts. Devaluation was followed by another rejection by de Gaulle of the UK's Common Market bid. These setbacks led to a widespread public loss of confidence in Labour and in Wilson. A change in Labour leadership in the coming months, though remote, is no longer out of the question.

The British Government's vital objective is to make a success of last November's devaluation. Britain is seeking to achieve a £1,000 million (\$2.4 billion) turnaround in its balance of payments, i.e. to move from a deficit of over £500 million in 1967 to a sustained surplus at the rate of £500 million beginning in 1969.

The necessity of success has produced new policies far from Labour's socialist ideology: curtailed public spending, even in the welfare sector; a mandatory prices and incomes policy closely correlated to productivity; and rigorous measures to reduce domestic demand in order to shift resources into exports and private investment. Cooperation from the domestic sector and the patience of the international financial community are vital to Britain's success, but these factors are not assured and the outcome therefore is in doubt.

Since November, the direction of Britain's defense and foreign policy has become clearer and firmer. The Government has accelerated curtailment of world-wide commitments and clarification of its policy toward Europe. Still, the process is far from complete. Continued frustration of Britain's new European vocation nourishes traditional British parochialism, resentment toward France, and suspicion of Germany. Conservative Party leaders have attacked the Government's "retreat

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from East of Suez," but before they can come to power, the cutbacks will probably have gone so far as to be irreparable. Thus, we can see the Britain of the future as, at best, a middle-sized, European power, albeit one with a nuclear capability, a residual sense of extra-European responsibility, and a continuing, if diminished, status as a favored partner of the US.

II. US-UK RELATIONS AND US OBJECTIVES

We can expect British governments gradually to attenuate the "special relationship" as the prospect of achieving their aims in Europe becomes more credible, but they will not repudiate it entirely as long as it has advantages for them.

The UK continues to have economic and political assets which can provide valuable support for our own foreign policy objectives; for example, the British desire to play a constructive role in Western European political affairs and to provide substantial amounts of foreign aid in the less developed world. In addition they still have extensive Commonwealth contacts. These assets would probably be strengthened by a victory in the next General Election of the Conservative Party, which is currently running far ahead of Labour in by-elections, local elections, and public opinion polls.

III. MAJOR PROBLEM AREAS

A. The Problem of Sterling

No one can be certain that the post-devaluation economic program will succeed in producing the necessary, enduring balance of payments surplus. The basic positive factors are: the competitive edge provided by devaluation, the buoyancy in Britain's main export markets, and bold fiscal and monetary restraints on the domestic economy.

The negative factors are: a history of repeated crises; organized labor's reluctance, if not unwillingness, to accept wage restraint; archaic labor and management practices; a

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stubbornly high level of import demand; high interest rates in the US and in Europe; Britain's precarious liquidity position; continuing nervousness about sterling; and the generally precarious international monetary situation.

The financial world so far has patiently awaited evidence that the UK is gradually moving toward surplus. Such patience is not unlimited and could be cut short by widespread strikes this summer or the collapse of the wage restraint policy. Then the financial world may well conclude that Britain's economic program is not going to succeed. This could lead to speculative selling of sterling, including further switching out of pounds by sterling area central banks.

Britain has substantial resources in standby credits and swaps to help meet such an eventuality. In a severe crisis they would need augmentation.

US Position: It is important to us that the British economic program succeed. The consequences of failure were portrayed last November, when the fall of one reserve currency, sterling, led to severe pressure on the dollar, to the gold crisis, to the forced termination of the "Gold Pool" arrangements, and to a large decline in US gold reserves. If Britain fails to achieve its balance of payments objective, there could be another deep sterling crisis which would put renewed pressure of the most serious kind on the dollar.

B. Britain and European Defense

On February 19 HMG announced that its defense will in the future be concentrated mainly in Europe and the North Atlantic area. On May 10 Defense Minister Healey announced that withdrawals from the Far East and the Persian Gulf have enabled HMG to make an immediate contribution to strengthening NATO's forces in Europe and the Mediterranean along the following lines: (1) a mobile task force (some 20,000 men) will be stationed in Britain but available for NATO defense; (2) an amphibious task force will be stationed in European waters; (3) two frigates will be kept in the Mediterranean; (4) a squadron of reconnaissance aircraft will remain in Malta until 1970; (5) in 1969, the UK is prepared to send a commando carrier with troops embarked to participate in NATO exercises in the Mediterranean.

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The UK is also exploring the possibility of some modest first steps that might evolve into a kind of European defense organization in the NATO framework. The British have in mind initially talking with the European Community members (less the French), and perhaps the Danes and Norwegians, about the possibility of cooperation in the defense production and procurement field. Subsequently, they would hope to see a kind of European caucus in NATO under which the nations concerned could concert their positions on force levels, strategy, and other questions in advance of discussions with us.

Thus, by working quietly within the established NATO framework, the UK hopes to be able to avoid another head-on collision with the French which would in turn frighten off the Germans and other European Community members. This approach also assures a close institutional link between any future European defense organization and the United States, as well as with the other allies.

US Position: We have been quietly encouraging the British in these efforts as they are consistent with our long-standing attitude favoring Western European cooperation and unification. If the British succeed, the result would be an improved political balance in the Alliance. It would also improve prospects that the European members together could pick up more of the burden of their own defense. Care must be exercised to avoid the appearance of an Anglo-American initiative.

C. The UK and the European Communities (EC)

The United Kingdom is maintaining its application for full EC membership. It has not endorsed recent proposals from among the Six for interim commercial arrangements. Foreign Secretary Stewart said recently that the UK would only be interested in "proposals coming from the six as a whole which are clearly and unmistakably connected with our full membership in the European Economic Community." The British see little prospect that the Six will be able to agree on acceptable interim proposals.

The French veto on British membership has not diminished support within Britain for full membership. The British Government and, in general, the public seem to realize that

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there is no viable alternative to entry into the Communities. Proponents of a North Atlantic Free Trade Area (NAFTA) have generated little British interest, in or outside the government.

The British are expected to make some new move to maintain forward movement on membership, perhaps this summer. Britain is most likely to propose collaboration on military-political matters and technology which are outside the clear responsibility of the Rome Treaty and which it would be easier for the Five to act upon without openly provoking de Gaulle.

US Position: The United States has long opposed EC preferential trading arrangements with other European states unless these lead to full membership within a reasonable period. Thus we welcome the British stand against interim arrangements with the Community. We do not believe that NAFTA is a practical or desirable alternative to British membership in EC.

D. Middle East

Britain no longer has the will, or can afford, to play a major security role in the Middle East.

In continuing the pursuit of its economic interests, however, HMG can be expected to rely increasingly on its diplomatic resources, mutual economic interest, and placating the Arabs on the Arab-Israeli issue.

US Position: We can constructively use Britain's residual political and economic influence in the Middle East, particularly with the Arab states, as part of our common desire to seek an equitable and enduring settlement of the Arab-Israeli conflict and to resist rising Soviet influence. In the Persian Gulf, we specifically wish to (a) encourage the British to maintain as much of their present special role as long as possible; (b) encourage the Saudis and Iranians in particular to settle outstanding differences; (c) encourage greater regional economic and political cooperation among the Gulf states; and (d) avoid an undue military buildup by littoral states while recognizing that some increase in indigenous forces is no doubt inevitable.

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E. UK Withdrawal from Malaysia/Singapore

Last January 16, Wilson announced the withdrawal of all British military forces from the Malaysia/Singapore area by the end of 1971.

The British declared that they would continue to meet their SEATO obligations after 1971 within the limits of their resources and would retain a "general capability for deployment overseas" if IMG judged such deployment necessary. However, they have declined to be drawn out on the nature of this capability or how it will be brought to bear in Southeast Asia.

The phase-down is calculated to minimize adverse effects on the economies of Malaysia and Singapore, and give them time to build up their own forces. A working group of the UK, Malaysia, and Singapore has begun discussing a proposed air defense system. A five-nation Defense Ministers' conference will be held in Kuala Lumpur in early June.

Australia and New Zealand are unlikely alone to fill the vacuum which will be created by the UK's departure. They look forward to a Commonwealth effort in this area.

US Position: We regret this removal of an important element of military and economic stability from Southeast Asia at a critical time. We have no intention of expanding our commitments or responsibilities as a result of the British decision, but we maintain a keen interest in the efforts of the Commonwealth partners to work out security arrangements necessary to assure continued stability in the area.

F. Southern Rhodesia

The UK, rejecting the use of force, has been unable to bring an end to the illegal regime of Ian Smith in spite of discussions, the UN voluntary sanctions program (November 1965), or the limited UN mandatory sanctions program (December 1966). The sanctions program suffers from the refusal of South Africa and Portugal to participate and from lax or incomplete compliance by Japan, West Germany, France, and other industrialized countries. The British insist that the best method of bringing

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pressure on Smith is through UN sanctions, and the Security Council is considering making selected mandatory sanctions more comprehensive.

US Position: We are continuing to cooperate with the British and the UK on sanctions and will support a UN decision to make selected mandatory sanctions more comprehensive. Any lessening of US support for such a UN resolution would have serious consequences for US relations with the UK, other countries of Africa, and in the United Nations generally.

G. US-UK Nuclear Cooperation

Various termination provisions in the 1958 US-UK Agreement for cooperation on the uses of atomic energy for defense purposes will soon come into play. The intent of either the US or the UK to terminate the exchange of information on nuclear weapons and/or military reactors must be accompanied by notice to this effect to the other party by December 31, 1968. Lacking such notice, that part of the Agreement dealing with cooperation on information will continue in force for at least five more years. Continuation of cooperation on the exchange of materiel beyond the end of 1969 will require a new agreement.

In spite of their parlous financial-economic condition, the British intend for political reasons to retain membership in the nuclear club. They are currently considering alternative improvements which will enable their Polaris missile force to penetrate Soviet missile defense systems. We expect that this summer they will ask us for additional and continuing assistance in these endeavors.

US Position: The question of future US policy in this field is now under review in the IRC/SIG mechanism. Some of the long-term factors which we must evaluate in reaching a decision include (1) future US-UK bilateral relations; (2) UK's future relations with the EC; and (3) the prospects of a future European defense organization and European nuclear cooperation.

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H. UK and France

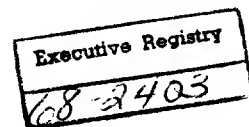
DEG probably has a mixed reaction to the current French crisis. The British may be expected privately to consider that de Gaulle's difficulties should serve as a salutary shock to his reputation. On the other hand, they would be apprehensive about the uncertain effects of political and economic instability in France.

Current troubles in France are not likely to help the near-term British economic position since (1) any tremors in the international monetary system seem to reverberate against sterling; (2) a reduction in French economic activity will hurt British exports to France; and (3) weakness of French exports in third markets will offer Britain new opportunities only over the longer term.

If, as seems likely, the French response to recent internal developments produces an expansionary, inflationary situation in the country, over the longer term the balance of payments impact would be adverse to France and presumably help to reduce the US and UK balance of payments deficits. Though we can visualize some weakening in the French balance of payments, it is too early to judge whether recent events will force the eventual devaluation of the franc. We should note that France has large reserves of gold and dollars with which the franc can be defended.

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NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506



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May 13, 1968

NATIONAL SECURITY COUNCIL MEETING NO. 585

May 15, 1968 -- 1:00 P.M.

AGENDA

U. S. Relations with Germany

Discussion of State Department paper circulated to Council members on May 6, 1968.

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(EXECUTIVE SECRETARY NSC)

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

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May 6, 1968

MEMORANDUM FOR THE NATIONAL SECURITY COUNCIL

The attached paper prepared by the State Department will serve as the basis of discussion of our policy toward Germany at a National Security Council Meeting in the near future, ~~probably this week.~~ 15 May 1968.

Bromley Smith

Bromley Smith

cc: DD/I

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German leaders have been aware that they are pursuing difficult and long-range goals with their Eastern policy, and that results will be slow at best.

II. U.S. Policy Objectives

We seek, in the framework of a stable and secure European community, a friendly unified peaceful and democratic Germany. With these goals in mind, our specific objectives are to 1) maintain the excellent and confident bilateral relations we enjoy with the Federal Republic at all levels; 2) encourage continuing German support of European integration; 3) promote continuing German confidence and participation in maintaining the security of the West within the NATO framework; 4) promote German co-operation in meeting global economic and financial problems; 5) assure the continued freedom and viability of Berlin; and 6) help promote the eventual peaceful reunification of Germany.

III. Problem Areas

A. Berlin - Our policy is to seek to preserve access to the city; maintain the confidence of the Berliners in our ability to keep the city free; and maintain Allied solidarity to the degree possible in the face of serious problems with France in matters external to Berlin but occasionally affecting Berlin directly. We must assure that our relations with Berlin officials are kept harmonious; and support the principle of close political and economic relations between Berlin and the Federal Republic but avoid allowing serious confrontations with the USSR over Berlin to develop, as far as this can be done without abandoning our responsibilities and rights.

The Soviets have given the East German regime a certain amount of latitude on Berlin access matters. On March 10, the East Germans issued a "decree" banning members of the right-radical NPD party of the FRG from traveling to and from Berlin. This was followed on April 13 by a ban on the travel of FRG cabinet members and other high FRG officials through East Germany. The Three Allies (U.S., U.K. and France) protested this action in a statement delivered to the Soviet Embassy in East Berlin on April 19. To date, there are only three confirmed cases of GDR authorities turning back FRG officials on the basis of this ban. Two were relatively minor officials;

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Identical letters protesting the illegality of this GDR interference with Berlin access were sent to the Soviet Ambassador in East Berlin by the three Allied Ambassadors in Bonn. These letters reminded the Soviets of their responsibility to provide access. NATO has been briefed on the situation and the FRG has proposed a series of diplomatic countermeasures to try to force the Soviets to tighten the reins on the GDR. The possibility of trade and travel restrictions on the GDR is also being studied by the three Protective Powers and the FRG.

The motives of the Soviet Union and the GDR in stirring up the Berlin access problem right now seem to include the following:

1. The East Germans are becoming increasingly isolated even within the Soviet bloc. In addition, they are pretty thoroughly isolated from the major international trends and activities of the day (e.g., they are absent from the NPT debate in the UN; they view with alarm the trend toward liberalization in some parts of the Soviet bloc and the first small steps now being taken to bring together the two parts of Europe). One of the few ways available to Ulbricht to exercise leverage on both his friends and his adversaries is

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2. The Russians may wish to use Berlin frictions as a way of maintaining their hold on the increasingly restive East European countries. They may also be willing to let the GDR demonstrate to Bonn one side of the stick and carrot technique (Tsarapkin's willingness to talk with Brandt about non-aggression pacts being the "carrot"). Finally, it is not unlikely that the GDR initiated the decrees and access interruptions on its own, with the Soviets acquiescing but not pushing the GDR into these acts.

We will have to see, through quiet diplomatic intercession with the Soviets, whether the Soviets can be brought to recognize that some of the objectives they themselves say they have in mind for Central Europe (e.g., German acceptance of NPT, avoiding challenge to the status quo there) are put in jeopardy by the GDR's challenge to free German access to Berlin. If we can interest the Soviets in this, the result will not be a sudden retraction by the GDR, but more probably an unannounced diminution in the number of interruptions and denials of access.

There will probably be a rescission, without a major crisis, of the immediate problem over German officials' access to Berlin, since the Soviet Union retains strong controls over the East Germans; has not challenged the Allied regime in West Berlin; and gives no indication of wishing to provoke a major confrontation over the issue. The protests already made to the

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Soviet Union have led to some easing of East German interference. There are other measures available for use if necessary, including higher-level discussions with the Soviets and graduated Western economic countermeasures against East Germany.

The Berlin problem can probably be solved finally only in the context of a growing together of divided Europe of which it is a microcosm. In the meantime, we should use the political, diplomatic, and economic means at our disposal to counter threats as they arise. These would include engaging the Soviet Union's own interest in not disturbing the status quo; East German economic interests and fear of isolation; and a clear understanding on our own side of the serious consequences to ourselves if Berlin were allowed to die on the vine. The damage to our relations with the Federal Republic; to Western confidence in our commitments and resolution; and to Soviet restraint based on their respect for our power and determination to protect our European interests, would be very great.

B. German Reunification and Eastern Policy - One FRG major foreign policy goal remains the reunification of the German people. The Eastern policy of the governing coalition (better relations with Moscow, relations short of formal recognition with East Germany and diplomatic relations with the Eastern European states) reflects an effort to shake up existing rigidities in the hope of developing a climate or, at least opportunities, for ultimate reunification steps. No responsible German has a reunification timetable but most politicians are convinced that reunification can come about in some fashion. The leaders of the FRG know that at best it will be a slow process, and they will have to be patient.

Relations have been established with Romania and reestablished with Yugoslavia. The Czechs, treading cautiously to avoid Soviet reaction to their internal liberalization, will probably delay establishing diplomatic relations with Germany for a year or two, but closer economic ties are probable.

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Barring unforeseen circumstances flowing from the present turmoil in Poland, the Poles can be expected to resist FRG blandishments longer than the others. The USSR will resist any increase of German influence in Eastern Europe, but eventually may try to weaken German ties with the West, using German desire for reunification as bait. For the foreseeable future, however, the Soviets will not allow the GDR to be absorbed by the Federal Republic, nor is the Federal Republic likely to be seduced into abandoning NATO and EEC. More probably, we are seeing the beginning of a long process of greater interchange and discourse between the two parts of Europe, to which current FRG policy has made an indispensable contribution.

The FRG Eastern policy is consistent with our own. In fact, the FRG probably was influenced toward greater flexibility by the U.S. example. Nevertheless, there has been German sensitivity to the U.S. reaction as the FRG seeks to open a dialogue with the Soviet Union. German press reports, private gossip in Bonn and reports by German travelers returning from the U.S., all have been quoted to the effect that the U.S. is worried that the FRG is too accommodating toward the East, talking with the Russians behind our backs, etc.

The U.S. Position - The highest U.S. officials have assured the FRG time and again that we think German Eastern policy is wise, and that we understand and sympathize with it. We will have to show patience and sympathetic understanding on this score for some time to come. At the same time, we have a right to expect the FRG to keep us fully informed about their conversations with the USSR.

C. Non-Proliferation Treaty (NPT) - Beginning in January, 1967, we have conducted hundreds of consultations with the Germans about the NPT. The Germans have had some serious objections to the Treaty text, most of which have been met.

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Essentially, however, they remain lukewarm. For one reason, they feel that the Soviets want it primarily to hurt German security; the Germans in turn don't like to make this kind of commitment to their enemies (a commitment they did not mind making in 1954 to their NATO Allies). Many Germans feel they will have to sign the Treaty. This realization does not make them any happier. Brandt's SPD, in general, advises adherence; Kiesinger's CDU is either opposed or lukewarm. Principal opponents of the Treaty include the leader of the Bavarian wing of the CDU, the CSU--Franz Josef Strauss.

The U.S. Position - We believe the FRG should adhere to the Treaty both because the Treaty is valuable in itself and because FRG policy objectives in relations with other Western nations and with Eastern Europe would suffer if the FRG impedes or rejects the NPT.

D. European Security Questions - When the Chancellor speaks of the future of Europe, we know he is not thinking of a Europe which would in any way be hostile to the United States. He foresees our acting together in friendly agreement. Beyond that, it is less clear what he has in mind. It does seem, however, that the Germans today prefer a Europe related to the U.S. in a partnership of equals rather than in what used to be called the Atlantic Community framework.

Although the Germans sense that European arrangements are presently in flux, they continue to rely on NATO as the surest guarantee of German survival, at least under foreseeable circumstances. They recognize that the U.S. with 200,000 men in Germany and its nuclear capacity is the best guarantor of German security. At the same time, they are aware of our need to neutralize foreign exchange losses

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incurred by stationing our troops and their dependents in Germany. Between 1961 and 1966 the German Government purchased military equipment here in the amount of \$600-\$700 million annually. In 1966, the Germans no longer found it possible to make military purchases of the previous magnitude. The current arrangement (German purchase of \$500 million worth of medium-term Treasury securities) expires June 30. US/FRG talks in Washington May 9 and 10 resulted in an impasse. The German offer to continue cost neutralization for one year at the \$500 million level was unacceptable to us in view of the anticipated net foreign exchange loss of about \$770 million. We pointed out the seriousness of our balance of payments situation, congressional pressure for troop reductions, and the favorable FRG balance of payments position. There was, however, no give in the German position. The talks were adjourned for two or three weeks to permit the FRG to review the matter with the Bundesbank and in the Cabinet. We still expect to achieve agreement.

E. International Monetary Problems - The strong measures announced at the end of the year by the President to correct our balance of payments problems and to control American investment overseas were accepted by the FRG as a welcome step, although there is concern that we may adopt additional restrictive trade measures. To counter the need for US restrictive measures, the FRG has proposed European concessions in Brussels to encourage US exports. In Washington during gold discussions and later at Stockholm the Germans have been very helpful in maintaining the international monetary system.

F. Relations with France - The relationship with France is important for the Federal Republic because a) rapprochement with France has wide popular appeal; b) the Franco-German tie is necessary for progress toward a more united Europe, eventually;

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c) association with France may help German efforts in Eastern Europe. The promise of closer ties with France was a key policy plank of the coalition (in contrast to Erhard's alleged neglect to this relationship).

The above considerations sometimes put the Germans in positions where they come perilously close to having to choose between their basic security interests (NATO/USA) and their relations with France. This is a choice which the Germans assiduously avoid. Nevertheless from time to time the Germans publicly disagree with the French on issues such as: 1) unity with the United States and others in Stockholm on the two prices for gold and the additional drawing rights; 2) continued need for NATO protection and specifically United States protection at a time when France has withdrawn from the Alliance in all but name; 3) FRG desire to expand the EEC to include the United Kingdom. The Germans in fact seek to maintain a friendly tone in their relations with France while disagreeing with many major elements of French policy.

U.S. Policy - We should continue to express understanding for German desires for good relations with France. At the same time, we expect the Germans to keep the United States fully informed of any Franco-German agreements or planning that affect our interests and security arrangements.

G. Political Extremism - Political stability under a democratic government is clearly a primary American objective in Germany. As if recognizing this, the radical movements of both the right and left share a virulent anti-Americanism. The extreme right, represented by the National Democratic Party (NPD), is now seated in all but two of the German state parliaments.

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It had its greatest victory in Baden-Wuerttemberg on April 28 with almost 10 percent of the vote. It is likely to gain Bundestag representation in 1969. Although it may not grow much more, its major importance is that the major parties may during the 1969 elections try to pre-empt some NPD attitudes in order to attract voters. Furthermore, NPD growth causes public uneasiness in other countries, including the United States and other NATO members, and has been and will be exploited by the USSR in savage propaganda attacks against the FRG. Left-wing anti-Americanism has found little echo among the population except with respect to the war in Viet-Nam, which has been exploited as an issue by left-wing elements.

There has been some concern expressed in Eastern and Western Europe that the recent growth of the NPD may mean that Germany could repeat the process by which the Nazis came to power in 1933. It is important to bear in mind that there are fundamental differences in conditions now: the German economy is now strong; Germany is now no longer politically adrift and alone in a hostile Europe; it is no longer potentially the strongest military and industrial power on the entire continent; its people have been through the experience of Nazism once, and except for the ten percent fringe (which Germany has in common with many other countries), the German people have not shown an inclination to repeat that tragedy.

U.S. Posture - We can do very little directly about right radicalism in Germany. We should (a) recognize that 90 percent of the electorate has consistently voted against the NPD; (b) avoid official public comment on what is after all an internal political matter; (c) be aware that the NPD is fed by the absence of any other means for registering strong protest on election day; and (d) see that frustration in the pursuit of legitimate German national aims feeds nationalist extremism. Basically this is a problem the Germans will have to meet themselves. Sharply aware of their past history, the Germans know perfectly well from the press alone what the outside world thinks of the NPD. Official public comment from abroad only feeds extremists.

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To the degree that U.S. policies contribute to general economic soundness in Europe, intra-European cooperation in which Germany participates, and to an evolution that gives hope for progress toward the healing of the division of Germany, we will contribute to conditions that make highly unlikely the emergence of extremist groups as serious contenders for power in the FRG.

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NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

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May 6, 1968

MEMORANDUM FOR THE NATIONAL SECURITY COUNCIL

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~~probably this week.~~ 15 May 1968.

Bromley Smith

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GERMANY

1. Germany in Perspective

The advent of the present Bonn Government in December 1966 marks a turning point in German-American relations. The Adenauer-Erhard years were years of German dependence upon the United States, with the FRG accepting U.S. tutelage in return for our security guarantees and our support for German efforts to rebuild a prosperous and respected nation. The fall of Erhard late in 1966, and the creation of the Kiesinger-Brandt government, signalled the evolution of German policy toward greater emphasis on the pursuit of reunification of their divided nation. The relative absence of crisis in Europe and the public belief that Soviet aggression had become somewhat less likely; the growth of a detente psychology; the passage of years since 1945 and the erosion of the post-war fears and sense of guilt; de Gaulle's rekindling of nationalism first in France and then elsewhere in Europe; all contributed to a greater German sense of independence from tutelage, and more active efforts to lay the groundwork for eventual reunification. In Germany, however, this has taken place without serious strain on FRG ties with NATO, and without rupturing cooperation and partnership with the U.S. NATO and the U.S. are still regarded in Germany as the basis of security on which German efforts to pursue reunification rest.

The Kiesinger-Brandt government's main single policy innovation has been the pursuit of a more flexible Eastern policy aimed at opening a dialogue with the Soviet Union, improving relations with the Eastern European states, and seeking to extend the FRG's ties with East Germany (short of recognition). The FRG regards improved relations with the East as a contribution to European peace and stability; but, at least equally important, it is a necessary prelude to progress toward reunification. The results of this policy up to now have been modest. This is not surprising. The

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German leaders have been aware that they are pursuing difficult and long-range goals with their Eastern policy, and that results will be slow at best.

II. U.S. Policy Objectives

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Soviet Union have led to some easing of East German interference. There are other measures available for use if necessary, including higher-level discussions with the Soviets and graduated Western economic countermeasures against East Germany.

The Berlin problem can probably be solved finally only in the context of a growing together of divided Europe of which it is a microcosm. In the meantime, we should use the political, diplomatic, and economic means at our disposal to counter threats as they arise. These would include engaging the Soviet Union's own interest in not disturbing the status quo; East German economic interests and fear of isolation; and a clear understanding on our own side of the serious consequences to ourselves if Berlin were allowed to die on the vine. The damage to our relations with the Federal Republic; to Western confidence in our commitments and resolution; and to Soviet restraint based on their respect for our power and determination to protect our European interests, would be very great.

B. German Reunification and Eastern Policy - One FRG major foreign policy goal remains the reunification of the German people. The Eastern policy of the governing coalition (better relations with Moscow, relations short of formal recognition with East Germany and diplomatic relations with the Eastern European states) reflects an effort to shake up existing rigidities in the hope of developing a climate or, at least opportunities, for ultimate reunification steps. No responsible German has a reunification timetable but most politicians are convinced that reunification can come about in some fashion. The leaders of the FRG know that at best it will be a slow process, and they will have to be patient.

Relations have been established with Romania and reestablished with Yugoslavia. The Czechs, treading cautiously to avoid Soviet reaction to their internal liberalization, will probably delay establishing diplomatic relations with Germany for a year or two, but closer economic ties are probable.

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Barring unforeseen circumstances flowing from the present turmoil in Poland, the Poles can be expected to resist FRG blandishments longer than the others. The USSR will resist any increase of German influence in Eastern Europe, but eventually may try to weaken German ties with the West, using German desire for reunification as bait. For the foreseeable future, however, the Soviets will not allow the GDR to be absorbed by the Federal Republic, nor is the Federal Republic likely to be seduced into abandoning NATO and EEC. More probably, we are seeing the beginning of a long process of greater interchange and discourse between the two parts of Europe, to which current FRG policy has made an indispensable contribution.

The FRG Eastern policy is consistent with our own. In fact, the FRG probably was influenced toward greater flexibility by the U.S. example. Nevertheless, there has been German sensitivity to the U.S. reaction as the FRG seeks to open a dialogue with the Soviet Union. German press reports, private gossip in Bonn and reports by German travelers returning from the U.S., all have been quoted to the effect that the U.S. is worried that the FRG is too accommodating toward the East, talking with the Russians behind our backs, etc.

The U.S. Position - The highest U.S. officials have assured the FRG time and again that we think German Eastern policy is wise, and that we understand and sympathize with it. We will have to show patience and sympathetic understanding on this score for some time to come. At the same time, we have a right to expect the FRG to keep us fully informed about their conversations with the USSR.

C. Non-Proliferation Treaty (NPT) - Beginning in January, 1967, we have conducted hundreds of consultations with the Germans about the NPT. The Germans have had some serious objections to the Treaty text, most of which have been met.

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Essentially, however, they remain lukewarm. For one reason, they feel that the Soviets want it primarily to hurt German security; the Germans in turn don't like to make this kind of commitment to their enemies (a commitment they did not mind making in 1954 to their NATO Allies). Many Germans feel they will have to sign the Treaty. This realization does not make them any happier. Brandt's SPD, in general, advises adherence; Kiesinger's CDU is either opposed or lukewarm. Principal opponents of the Treaty include the leader of the Bavarian wing of the CDU, the CSU--Franz Josef Strauss.

The U.S. Position - We believe the FRG should adhere to the Treaty both because the Treaty is valuable in itself and because FRG policy objectives in relations with other Western nations and with Eastern Europe would suffer if the FRG impedes or rejects the NPT.

D. European Security Questions - When the Chancellor speaks of the future of Europe, we know he is not thinking of a Europe which would in any way be hostile to the United States. He foresees our acting together in friendly agreement. Beyond that, it is less clear what he has in mind. It does seem, however, that the Germans today prefer a Europe related to the U.S. in a partnership of equals rather than in what used to be called the Atlantic Community framework.

Although the Germans sense that European arrangements are presently in flux, they continue to rely on NATO as the surest guarantee of German survival, at least under foreseeable circumstances. They recognize that the U.S. with 200,000 men in Germany and its nuclear capacity is the best guarantor of German security. At the same time, they are aware of our need to neutralize foreign exchange losses

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incurred by stationing our troops and their dependents in Germany. Between 1961 and 1966 the German Government purchased military equipment here in the amount of \$600-\$700 million annually. In 1966, the Germans no longer found it possible to make military purchases of the previous magnitude. The current arrangement (German purchase of \$500 million worth of medium-term Treasury securities) expires June 30. US/FRG talks in Washington May 9 and 10 resulted in an impasse. The German offer to continue cost neutralization for one year at the \$500 million level was unacceptable to us in view of the anticipated net foreign exchange loss of about \$770 million. We pointed out the seriousness of our balance of payments situation, congressional pressure for troop reductions, and the favorable FRG balance of payments position. There was, however, no give in the German position. The talks were adjourned for two or three weeks to permit the FRG to review the matter with the Bundesbank and in the Cabinet. We still expect to achieve agreement.

E. International Monetary Problems - The strong measures announced at the end of the year by the President to correct our balance of payments problems and to control American investment overseas were accepted by the FRG as a welcome step, although there is concern that we may adopt additional restrictive trade measures. To counter the need for US restrictive measures, the FRG has proposed European concessions in Brussels to encourage US exports. In Washington during gold discussions and later at Stockholm the Germans have been very helpful in maintaining the international monetary system.

F. Relations with France - The relationship with France is important for the Federal Republic because a) rapprochement with France has wide popular appeal; b) the Franco-German tie is necessary for progress toward a more united Europe, eventually;

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c) association with France may help German efforts in Eastern Europe. The promise of closer ties with France was a key policy plank of the coalition (in contrast to Erhard's alleged neglect to this relationship).

The above considerations sometimes put the Germans in positions where they come perilously close to having to choose between their basic security interests (NATO/USA) and their relations with France. This is a choice which the Germans assiduously avoid. Nevertheless from time to time the Germans publicly disagree with the French on issues such as: 1) unity with the United States and others in Stockholm on the two prices for gold and the additional drawing rights; 2) continued need for NATO protection and specifically United States protection at a time when France has withdrawn from the Alliance in all but name; 3) FRG desire to expand the EEC to include the United Kingdom. The Germans in fact seek to maintain a friendly tone in their relations with France while disagreeing with many major elements of French policy.

U.S. Policy - We should continue to express understanding for German desires for good relations with France. At the same time, we expect the Germans to keep the United States fully informed of any Franco-German agreements or planning that affect our interests and security arrangements.

G. Political Extremism - Political stability under a democratic government is clearly a primary American objective in Germany. As if recognizing this, the radical movements of both the right and left share a virulent anti-Americanism. The extreme right, represented by the National Democratic Party (NPD), is now seated in all but two of the German state parliaments.

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It had its greatest victory in Baden-Wuerttemberg on April 28 with almost 10 percent of the vote. It is likely to gain Bundestag representation in 1969. Although it may not grow much more, its major importance is that the major parties may during the 1969 elections try to pre-empt some NPD attitudes in order to attract voters. Furthermore, NPD growth causes public uneasiness in other countries, including the United States and other NATO members, and has been and will be exploited by the USSR in savage propaganda attacks against the FRG. Left-wing anti-Americanism has found little echo among the population except with respect to the war in Viet-Nam, which has been exploited as an issue by left-wing elements.

There has been some concern expressed in Eastern and Western Europe that the recent growth of the NPD may mean that Germany could repeat the process by which the Nazis came to power in 1933. It is important to bear in mind that there are fundamental differences in conditions now: the German economy is now strong; Germany is now no longer politically adrift and alone in a hostile Europe; it is no longer potentially the strongest military and industrial power on the entire continent; its people have been through the experience of Nazism once, and except for the ten percent fringe (which Germany has in common with many other countries), the German people have not shown an inclination to repeat that tragedy.

U.S. Posture - We can do very little directly about right radicalism in Germany. We should (a) recognize that 90 percent of the electorate has consistently voted against the NPD; (b) avoid official public comment on what is after all an internal political matter; (c) be aware that the NPD is fed by the absence of any other means for registering strong protest on election day; and (d) see that frustration in the pursuit of legitimate German national aims feeds nationalist extremism. Basically this is a problem the Germans will have to meet themselves. Sharply aware of their past history, the Germans know perfectly well from the press alone what the outside world thinks of the NPD. Official public comment from abroad only feeds extremists.

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To the degree that U.S. policies contribute to general economic soundness in Europe, intra-European cooperation in which Germany participates, and to an evolution that gives hope for progress toward the healing of the division of Germany, we will contribute to conditions that make highly unlikely the emergence of extremist groups as serious contenders for power in the FRG.